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Office of the Legislative Auditor

State of Montana

Report to the Legislature

March 1995

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1994

Montana State University - Billings

This report contains two recommendations for improvement of the university's operations. The recommendations relate to improving the university's:

- Contracting for food services.
- Accounting for unrecorded foundation scholarships and double-recorded work study expenditures.

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Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1993 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

March 1995

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on Montana State University - Billings for the two fiscal years ended June 30, 1994. Included in this report are recommendations concerning the university's contracting for food services and accounting for unrecorded foundation scholarships and double-recorded work study expenditures. The university's response is included in the back of this report.

We thank the Acting Chancellor and his staff for their assistance and cooperation throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1994

Montana State University - Billings

Members of the audit staff involved in this audit were Pearl M. Allen, Brenda Bokovoy, Pete Brustkern, Jeane Carstensen-Garrett, Glenn Jorgenson, Wayne Kedish, and Jim Manning.

Table of Contents

List of Tables iii

Appointed and Administrative Officials iv

Summary of Recommendations v

Introduction

General 1

Background 1
- Restructuring 1
- Curriculum 2
- Public Service 3
- Enrollment and Employee Schedules 3

Prior Audit Recommendations

Prior Audit Recommendations 4

Findings and Recommendations

Contracting for Food Services 5

Accounting Issues 6
- Unrecorded Financial Activity 6
- Double-recorded Financial Activity 7

Independent Auditor's Report & University Financial Statements

Independent Auditor's Report A-3

Balance Sheet, June 30, 1994 ..... A-4

Statement of Changes in Fund Balances
Fiscal Year Ended June 30, 1994 ..... A-6

Statement of Changes in Fund Balances
Fiscal Year Ended June 30, 1993 ..... A-7

Statement of Current Funds Revenues,
Expenditures, and Other Changes for
the Fiscal Year Ended June 30, 1994 ..... A-8

Statement of Current Funds Revenues,
Expenditures, and Other Changes for
the Fiscal Year Ended June 30, 1993 ..... A-10

Notes to Financial Statements A-13

Schedule of Enrollment Statistics
on a Semester Basis for the Year
Ending June 30, 1994 ..... A-21

Table of Contents

	Schedule of Enrollment Statistics on a Semester Basis for the Year Ending June 30, 1993	A-22
University Response	Montana State University - Billings	B-3

List of Tables

Table 1 Schedule of FTE Employees 3

Appointed and Administrative Officials

Board of Regents of Higher Education

		Term Expires
Marc Racicot, Governor*		1996
Nancy Keenan, Superintendent of Public Instruction*		1996
Jim Kaze, Chairman	Havre	1999
Cordell Johnson	Helena	1996
Kermit R. Schwanke	Missoula	1997
Paul F. Boylan	Bozeman	1998
Pat Davison	Billings	2000
L. Colleen Conroy	Hardin	2001
Jim Brown, Student Regent		1995

Commissioner of Higher Education Officials

Jeffrey D. Baker*	Commissioner of Higher Education
Richard Crofts	Executive Associate Commissioner for Higher Education
Rod Sundsted	Associate Commissioner for Fiscal Affairs
Laurie O. Neils	Director of Budget and Accounting

Montana State University - Billings

Michael Malone	President of Montana State University - Bozeman
Ronald P. Sexton	Acting Chancellor
Walter Gulick	Interim Academic Vice Chancellor
Paul Drzewiecki	Interim Vice Chancellor for Student Affairs
Terrie Iverson	Administrative Vice Chancellor
LeAnn Anderson	Director, Financial Services

* Ex Officio members of the Board of Regents of Higher Education

Summary of Recommendations

The listing below serves as a means of summarizing the recommendations contained in the report, the university's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the university comply with state purchasing laws or seek legislation to allow an exception for its food services contract. 6

University Response: Concur. See page B-4.

Recommendation #2

We recommend the university record financial activity related to scholarships and work study on its accounting records in accordance with state law. 8

University Response: Concur. See page B-4.

Introduction

General

We performed a financial-compliance audit of Montana State University - Billings (university) for the two fiscal years ended June 30, 1994. The objectives of our audit were to:

1. Determine the university's compliance with applicable state and federal laws and regulations.
2. Identify areas for improvement in the management and internal controls of the university.
3. Determine if the university's financial statements present fairly its financial position at June 30, 1994 and results of its operations for the two fiscal years ended June 30, 1994.
4. Determine the implementation status of prior audit recommendations.

This report contains two recommendations which address food service contracting requirements and areas where accounting can be improved. Other areas of concern deemed not to have a significant effect on the successful operations of university programs are not specifically included in the report, but have been discussed with management.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing recommendations made in this report.

Background

Restructuring

Montana State University - Billings (formerly Eastern Montana College) was restructured to an affiliated campus of Montana State University by the Board of Regents of Higher Education effective July 1, 1994. The Board of Regents authorized Montana State University - Billings to change the names of its academic schools. The name changes are as follows: the School of Arts and Sciences renamed the College of Arts and Sciences; the School of Business and Economics renamed the College of Business; and, the School of Education and Human Services renamed the College of Education and Human Services. The

Introduction

College of Technology (formerly the Billings Vocational Technical Center) merged with Montana State University - Billings on July 1, 1994 and became the fourth academic unit of the university. Because they were separate organizations through June 30, 1994, the College of Technology's financial activity is not included in Montana State University - Billings' financial statements on pages A-5 to A-20.

Curriculum

Montana State University - Billings offers pre-professional programs and awards degrees at the associate's, bachelor's, and master's degree levels. The university offers master's degrees in education, special education, rehabilitation counseling, and information processing and communication. It also offers post-master (nondegree) supervisor endorsement programs in elementary curriculum, reading K-12, and special education K-12. In 1988, the Board of Regents authorized the offering of the Billings MBA program by the University of Montana.

The university has placed primary emphasis on curriculum development in the areas of undergraduate and graduate teacher education. It offers a variety of undergraduate degree programs in the liberal arts and undergraduate programs in business and economics. Currently, the university has the only undergraduate and graduate degree programs in special education, special education supervision, and rehabilitation and rehabilitation counseling. The undergraduate degree in Human Services is also a unique program.

Montana State University-Billings is fully accredited by the Northwest Association of Schools and Colleges. It is accredited by the National Council for the Accreditation of Teacher Education for preparing elementary and secondary teachers through the Masters of Education degree and the Masters of Science in Special Education degree. It is also accredited by the National Association of Schools of Music, the National Association of Schools of Art and Design, and the Council on Rehabilitation Education.

Public Service

The university's primary public service entities are KEMC and KBMC Public Radio, the Montana Center for Handicapped Children, and the Clean Coal Technology Information Center. KEMC broadcasts in Billings and KBMC serves Bozeman and the Gallatin Valley. The Montana Center for Handicapped Children is a comprehensive education, rehabilitation, and medical/diagnostic center serving Montana's severely and multi-handicapped children and youth. The Clean Coal Technology Information Center was established to focus on all available clean coal technology information worldwide in order to allow Montana to become a leader in the field of clean fuels technology information and marketing.

Enrollment and Employee Schedules

During the audit period student enrollment at Montana State University - Billings was approximately 3,680 students. Schedules of enrollment statistics appear on pages A-21 and A-22. According to information provided by the university, the university had approximately 471 full-time equivalent employees (FTE) during fiscal year 1993-94. The actual number of employee FTE for fiscal year 1993-94 is shown below.

Table 1

Schedule of FTE Employees

	Appropriated Funds	Nonappropriated Funds	Total
Contract Faculty	162.86	.59	163.45
Contract Professional & Administrative	39.64	17.47	57.11
Classified	100.04	80.83	180.87
Graduate Teaching Assistant	2.60		2.60
Part-time & Other	18.14	48.69	66.83
Total	323.28	147.58	470.86

Source: Compiled by the Office of the Legislative Auditor from the university's records.

Prior Audit Recommendations

Prior Audit Recommendations

Our financial-compliance audit of the university for the two fiscal years ended June 30, 1992, contained two recommendations. The university implemented both recommendations.

Contracting for Food Services

The university has contracted for food services with essentially the same independent contractor for at least 25 years. It is not known if the contract was competitively bid when it was first awarded. However, the contract has been renegotiated and renewed without using a competitive bid process.

State law requires universities to use a competitive bid process to award all contracts for supplies and services. Furthermore, section 18-4-313, MCA, provides in part:

> "(1) Unless otherwise provided by law, a contract, lease, or rental agreement for supplies or services may not be made for a longer period than 3 years; . . . A contract, lease, or rental agreement may be extended or renewed, notwithstanding the time limits stated in this section, if the terms of the extension or renewal, if any, are included in the solicitation and funds are available for the first fiscal period at the time of the agreement. Payment and performance obligations for succeeding periods are subject to the availability and appropriation of funds for the fiscal period.
>
> (2) Prior to the extension or renewal of a contract, it must be determined in writing that:
>
> (a) estimated requirements cover the period of the contract and are reasonably firm and continuing; and
>
> (b) the contract will serve the best interests of the state by encouraging effective competition or otherwise promoting economies in state procurement."

Under the provisions of this section, state contracts for the purchase of supplies and services must be competitively bid and are limited to three year terms. Extensions or renewals are permissible if the statutory criteria are met. The university's food service contract has been renegotiated, but not competitively bid. Therefore, terms of the extension and renewal for the college's food service contact were not included in a solicitation for bid and the university is not in compliance with the state purchasing statutes.

University officials were not aware the state purchasing statute applied to food service contracts. The contract was signed by the Administrative Vice Chancellor and did not go through the

university's standard purchasing procedures. University officials stated they have a good working relationship with the food service provider and have been able to negotiate positive contract changes. Based on the officials' satisfaction with the contractor, the university continued to renegotiate the contract.

Food services contracts in effect during the audit period provide the university will share 50 percent of any surpluses or losses with the contractor. The university's share of losses for the audit period totalled $58,088. By not complying with the state's competitive bid requirements, the university increased its risk of paying more than necessary for management of its food service operation. If the university believes renegotiating its food service contract is more effective than using a competitive bid process, it should seek legislation to allow an exception for its food service contract.

Recommendation #1

We recommend the university comply with state purchasing laws or seek legislation to allow an exception for its food services contract.

Accounting Issues

State law requires the university to record all financial activity on the state's accounting records before the end of the fiscal year in accordance with generally accepted accounting principles. In the following report sections, we discuss two instances where the university did not record financial activity in accordance with state law and generally accepted accounting principles.

Unrecorded Financial Activity

In the Contract of Operations between the university and its foundation, the foundation is responsible for administering the scholarship funds of the university that are not derived from state appropriated funds. The contract requires the university to select the scholarship recipients, except when donor

organizations prefer to make the selection. The foundation sends the university a check covering all the scholarships each semester. The university applies this money to each scholarship recipient's tuition and fees by recording it as Tuition and Fee revenue in the Current Unrestricted Fund. University personnel said they recorded the financial activity related to scholarships in this manner because they believed the money was from the foundation to the student.

This treatment is proper for scholarship recipients selected by the donor organization. However, for recipients selected by the university, the foundation is, in effect, giving the university money for scholarships. The university should record these transactions as Private Gifts, Grants, and Contracts revenue in the Current Restricted Fund. The university, in turn, is using the money for scholarships to students. The university should record these transactions as Scholarships and Fellowships expenditures in the Current Restricted Fund, as well as Tuition and Fee revenue in the Current Unrestricted Fund. As a result of not recording this activity in the Current Restricted Fund, the university understated revenue and expenditures in the Current Restricted Fund by $98,720 in fiscal year 1992-93 and $111,832 in fiscal year 1993-94.

Double-recorded Financial Activity

The university charges work study expenditures to federal or state work study accounts when it pays the students. The university then bills each applicable department its matching share of the costs (25 to 30 percent). When the university recharges the departments, it records expenditures in the departments' accounts and revenue in the work study accounts. This process overstates expenditures and revenue in the work study accounts by the department's share of the costs. The accounting records overstated Federal Grants and Contracts revenue and Student Services expenditures in the Current Restricted Fund by $81,325 and $52,986 in fiscal years 1992-93 and 1993-94, respectively. The accounting records also overstated Sales, Services, and Miscellaneous revenue and Student Services expenditures in the Current Designated Fund by $14,297 and $23,688 in fiscal years 1992-93 and 1993-94, respectively.

University personnel stated this situation occurs because of how the university's recharge system is programmed and noted the programming is correct for most recharges. The university adjusted its financial statements to properly reflect its work study activity. The university should also record an adjusting entry to properly reflect work study activity on its accounting records at year-end.

Recommendation #2

We recommend the university record financial activity related to scholarships and work study on its accounting records in accordance with state law.

Independent Auditor's Report & University's Financial Statements

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Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial statements of Montana State University - Billings, a component unit of the state of Montana, as of and for each of the two fiscal years ended June 30, 1994, as shown on pages A-4 to A-20. The information contained in these financial statements is the responsibility of the university's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the university's financial position as of June 30, 1994, and the results of the university's operations and changes in fund balances for the two fiscal years ended June 30, 1993 and 1994, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedules of Enrollment Statistics for the two years ending June 30, 1993 and 1994, prepared in accordance with the Registrar's Manual for Reporting Enrollment Data, are presented as supplemental information and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our examination of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 16, 1994

MSU-BILLINGS
BALANCE SHEET
JUNE 30, 1994

ASSETS

CURRENT FUNDS:	
Unrestricted:	
Cash	$3,333,286
Investments (Note 2)	2,066,300
Due from Cash Accounts for FYE Adjustments	490,263
Due from Other Acctng Entities	2,630
Accounts Receivable less Allowance for Doubtful Collections of $101,957	302,014
Inventories (Note 1)	731,078
Prepaid Expenses	244,421
Total Unrestricted	$7,169,992
Restricted:	
Cash	$100,563
Due from Federal Government	72,894
Due from State Government	31,404
Accounts Receivable	15,116
Due from Cash Accounts for FYE Adjustments	12,591
Total Restricted	$232,568
TOTAL CURRENT FUNDS	$7,402,560
LOAN FUNDS:	
Cash	$1,673
Investments (Note 2)	60,000
Due from Cash Accounts for FYE Adjustments	162
Accounts Receivable	19,938
Loans Receivable	2,487,328
TOTAL LOAN FUNDS	$2,569,101

LIABILITIES AND FUND BALANCES

CURRENT FUNDS:	
Unrestricted:	
Accounts Payable and Accrued Liabilities	$978,415
Compensated Absences Payable (Note 6)	1,485,807
Pension Payable (Note 6)	157,766
Student Deposits	31,502
Due to Office of Commissioner of Higher Education: Reversion Liability	17,710
Due to Cash Accounts for FYE Adjustments	709,656
Deferred Revenue	888,204
Fund Balance-Unreserved	2,848,835
Fund Bal.-Reserved-Cont. Approp.	52,097
Total Unrestricted	$7,169,992
Restricted:	
Accounts Payable and Accrued Liabilities	$12,306
Due to Cash Accounts for FYE Adjustments	111,412
Deferred Revenue - All Other Sources	63,267
Fund Balance	45,583
Total Restricted	$232,568
TOTAL CURRENT FUNDS	$7,402,560
LOAN FUNDS:	
Accounts Payable	$392
Fund Balances:	
Perkins/National Direct Student Loans: U.S. government grants refundable less cumulative cancellations and other reductions of $413,409	2,267,665
College Contributions-Restricted	301,044
Total Fund Balances	2,568,709
TOTAL LOAN FUNDS	$2,569,101

The notes are an integral part of this statement.

MSU-BILLINGS
BALANCE SHEET
JUNE 30, 1994

ASSETS		LIABILITIES AND FUND BALANCES	
PLANT FUNDS:		**PLANT FUNDS:**	
Unexpended:		Unexpended:	
Cash in Treasury	$9,614	Accounts Payable	$16,830
Investments Held by State of Montana (Note 2)	91,100	Reserved Fund Balance	1,400,000
Investments Held by Bond Trustee (Note 2)	1,400,000	Unreserved Fund Balance	84,243
Due from Cash Accounts for FYE Adjustments	359		
Total Unexpended	$1,501,073	Total Unexpended	$1,501,073
Renewals and Replacements:		Renewals and Replacements:	
Cash in Treasury	$118,654	Accounts Payable and Accrued Liabilities	$4,461
Investments Held by Bond Trustee (Note 2)	991,940	Due to Cash Accounts for FYE Adjustments	901
Investments Held by State of Montana (Note 2)	890,000	Deferred Revenue	35,211
Accounts Receivable less Allowance for Doubtful Collections of $4,655	3,087	Reserved Fund Balance	650,000
Due from Cash Accounts for FYE Adjustments	130,248	Unreserved Fund Balance	1,577,797
Construction Work In Progress	134,441		
Total Renewals and Replacements	$2,268,370	Total Renewals and Replacements	$2,268,370
Retirement of Indebtedness:		Retirement of Indebtedness:	
Cash in Treasury	$3,855	Accrued Bond Interest Payable	$18,849
Cash Held by Bond Trustee	1	Fund Balance - Restricted	174,003
Investments Held by Bond Trustee (Note 2)	87,725		
Investments Held by State of Montana (Note 2)	100,900		
Due from Cash Accounts for FYE Adjustments	371		
Total Retirement of Indebtedness	$192,852	Total Retirement of Indebtedness	$192,852
Investment in Plant (At Cost of Acquisition):		Investment in Plant:	
Intangible Assets	$493,683	Contracts/Notes/Leases Payable (Note 6)	$208,088
Land	1,364,590	Bonds Payable (Note 4)	9,360,000
Buildings	27,426,837	Net Investment in Plant	30,178,509
Other Improvements	1,135,661		
Equipment	5,296,119		
Library Books	4,010,528		
Construction Work In Progress	19,179		
Total Investment in Plant	$39,746,597	Total Investment in Plant	$39,746,597
TOTAL PLANT FUNDS	$43,708,892	TOTAL PLANT FUNDS	$43,708,892
AGENCY FUNDS:		**AGENCY FUNDS:**	
Cash	$42,203	Accounts Payable	$9,670
Investments (Note 2)	10,000	Due to Cash Accounts for FYE Adjustments	11,236
Due from Cash Accounts for FYE Adjustments	11,834	Property Held in Trust	49,991
Accounts Receivable	6,860		
TOTAL AGENCY FUNDS	$70,897	TOTAL AGENCY FUNDS	$70,897

The notes are an integral part of this statement.

MSU-BILLINGS
STATEMENT OF CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 1994

	CURRENT FUNDS		LOAN FUNDS	PLANT FUNDS			
	Unrestricted	Restricted		Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant
REVENUES AND OTHER ADDITIONS:							
Tuition and Fees	$7,189,808				$355,179		
Montana General Fund Transfers	9,203,056						
Montana Millage Fund Transfers	2,015,711						
Land Grant Income	215,868						
Indirect Cost Recoveries	90,713						
Sales, Services, and Miscellaneous	951,677		$1,067		4,731		
Investment Income	80,594		1,965	$3,189	53,699	$90,352	
Sales & Services of Auxiliary Enterprises	4,311,964						
Federal Grants and Contracts		$3,171,701	80,102				
State Grants and Contracts	54,637	303,413	8,273				
Local Government Grants and Contracts		10,128					
Other Grants, Contracts, and Donations		207,340					
Interest Earned on Loans			53,620				
Investment in Plant Facilities							$611,423
Retirement of Indebtedness							9,340,969
Bond Proceeds						9,360,000	
TOTAL REVENUES AND OTHER ADDITIONS	$24,114,028	$3,692,582	$145,027	$3,189	$413,609	$9,450,352	$9,952,392
EXPENDITURES AND OTHER DEDUCTIONS:							
Current Funds Expenditures	$23,119,622	$3,689,922					
Loan Cancellations and Write-offs			$63,981				
Collection/Administrative Costs			158				
Expended for Plant Facilities				$34,878	$135,095	$1,332	
Retirement of Indebtedness						9,389,308	
Interest on Indebtedness						613,641	
Loss on Extinquishment of Debt						564,486	
Disposal of Plant Facilities							$207,677
Incurrment of Debt							9,360,000
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	$23,119,622	$3,689,922	$64,139	$34,878	$135,095	$10,568,767	$9,567,677
TRANSFERS AMONG FUNDS-ADDITIONS (DEDUCTIONS):							
Current Year Decrease in Compensated Absences	$54,543						
Current Year Increase in Pension Payable	(157,766)						
Mandatory Transfers	(1,060,043)					$1,060,043	
Nonmandatory Transfers	(208,736)			$1,406,368	$246,658	(1,444,290)	
Debt Service	(111,639)				(57,395)		
Liability for General Fund Reversion	(17,710)						
TOTAL TRANSFERS AND DEDUCTIONS	($1,501,351)			$1,406,368	$189,263	($384,247)	
NET INCREASE (DECREASE) IN FUND BALANCE	($506,945)	$2,660	$80,888	$1,374,679	$467,777	($1,502,662)	$384,715
FUND BALANCE - JULY 1 - as Previously Reported	$3,607,291	$42,923	$2,487,821	$109,564	$1,817,441	$1,676,665	$29,793,794
Prior Period Adj. for Comp. Abs. (Note 6)	(223,812)						
FUND BALANCE - JULY 1 - as Restated	$3,383,479	$42,923	$2,487,821	$109,564	$1,817,441	$1,676,665	$29,793,794
Net Effect of Other Prior Period Adjustments	24,398				436		
Move Equity to NIIP					(57,857)		
FUND BALANCE AT END OF YEAR	$2,900,932	$45,583	$2,568,709	$1,484,243	$2,227,797	$174,003	$30,178,509

The notes are an integral part of this statement.

MSU-BILLINGS
STATEMENT OF CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 1993

	CURRENT FUNDS		LOAN FUNDS	PLANT FUNDS			
	Unrestricted	Restricted		Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant
REVENUES AND OTHER ADDITIONS:							
Tuition and Feas	$6,891,935				$355,112		
Montana General Fund Transfers	10,059,623						
Montana Millage Fund Transfers	1,814,409						
Clean Coal Appropriation Transfer	255,000						
Land Grant Income	238,745						
Indirect Cost Recoveries	93,979						
Sales, Services, and Miscellaneous	911,869				16,254		
Investment Income	68,526		$2,369	$4,385	84,093	$117,566	
Sales & Services of Auxiliary Enterprises	4,134,890						
Federal Grants and Contracts		$3,821,322	85,915				
State Grants and Contracts	34,115	301,474	6,454				
Local Government Grants and Contracts		46,389					
Other Grants, Contracts, and Donations		220,582					
Interest Earned on Loans			62,365				
Investment in Plant Facilities							$497,804
Retirement of Indebtedness							839,845
Other			1,514				
TOTAL REVENUES AND OTHER ADDITIONS	$24,503,091	$4,389,767	$158,617	$4,385	$455,459	$117,566	$1,337,649
EXPENDITURES AND OTHER DEDUCTIONS:							
Current Funds Expenditures	$22,444,526	$4,387,201					
Loan Cancellations and Write-offs			$101,212				
Collection/Administrative Costs			700				
Expended for Plant Facilities				$50,989	$382,790	$1,541	
Retirement of Indebtedness						698,113	
Interest on Indebtedness						681,347	
Disposal of Plant Facilities							$36,942
Incurrment of Debt							285,000
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	$22,444,526	$4,387,201	$101,912	$50,989	$382,790	$1,381,001	$321,942
TRANSFERS AMONG FUNDS-ADDITIONS (DEDUCTIONS):							
Current Year Decrease in Compensated Absences	($14,465)						
Mandatory Transfers	(952,905)					$952,905	
Nonmandatory Transfers	(126,189)			13,771	$112,418		
Debt Service	(117,193)				(57,395)		
Liability for General Fund Reversion	(10,720)						
TOTAL TRANSFERS AND DEDUCTIONS	($1,221,472)	$0	$0	$13,771	$55,023	$952,905	$0
NET INCREASE (DECREASE) IN FUND BALANCE	$837,093	$2,566	$56,705	($32,833)	$127,692	($310,530)	$1,015,707
FUND BALANCE AT BEGINNING OF YEAR	$2,744,552	$40,393	$2,431,116	$178,619	$1,482,401	$1,987,195	$28,778,087
Transfer of Fund Balance	3,746						
Net Effect of Prior Period Adjustments	21,900	(36)		22,727	(43,574)		
Move Equity to NIIP				(58,949)	250,922		
FUND BALANCE AT END OF YEAR	$3,607,291	$42,923	$2,487,821	$109,564	$1,817,441	$1,676,665	$29,793,794

The notes are an integral part of this statement.

MSU-BILLINGS
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	UNRESTRICTED	RESTRICTED	TOTAL
REVENUES:			
Educational and General Funds:			
Tuition and Fees	$5,218,538		$5,218,538
Montana General Fund Transfers	9,203,056		9,203,056
Montana Millage Fund Transfers	2,015,711		2,015,711
Sales, Services and Miscellaneous	65,134		65,134
Federal Grants and Contracts		$3,171,701	3,171,701
State Grants and Contracts		303,413	303,413
Local Government Grants, Contracts, and Donations		10,128	10,128
Other Grants, Contracts, and Donations		207,340	207,340
Total Educational and General Funds	$16,502,439	$3,692,582	$20,195,021
Designated Funds:			
Tuition and Fees	$754,113		$754,113
Sales, Services and Miscellaneous	886,543		886,543
State Grant for College Workstudy Program	54,637		54,637
Indirect Cost Recoveries	90,713		90,713
Investment Income	7,834		7,834
Total Designated Funds	$1,793,840		$1,793,840
Auxiliary Funds:			
Tuition and Fees	$1,217,157		$1,217,157
Land Grant Income	215,868		215,868
Investment Earnings	72,760		72,760
Sales, Services, and Miscellaneous	4,311,964		4,311,964
Total Auxiliary Funds	$5,817,749		$5,817,749
TOTAL CURRENT REVENUES	$24,114,028	$3,692,582	$27,806,610

The notes are an integral part of this statement.

MSU-BILLINGS
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	UNRESTRICTED	RESTRICTED	TOTAL
EXPENDITURES:			
Educational and General Funds:			
Instruction	$8,492,554	$279,852	$8,772,406
Research		88,593	88,593
Public Service	422,922	440,360	863,282
Academic Support	1,669,029	2,624	1,671,653
Student Services	1,601,000	553,283	2,154,283
Institutional Support	1,928,251		1,928,251
Operation and Maintenance of Plant	2,051,947		2,051,947
Scholarships and Fellowships	532,968	2,325,210	2,858,178
Total Educational and General Funds	$16,698,671	$3,689,922	$20,388,593
Designated Funds:			
Instruction	$304,341		$304,341
Public Service	574,993		574,993
Academic Support	14,108		14,108
Student Services	718,437		718,437
Institutional Support	217,420		217,420
Total Designated Funds	$1,829,299		$1,829,299
Auxiliary Funds:			
Expenditures	$4,591,652		$4,591,652
Mandatory Transfers:			
Principal and Interest	1,060,043		1,060,043
Total Auxiliary Funds	$5,651,695		$5,651,695
TOTAL CURRENT EXPENDITURES AND MANDATORY TRANSFERS	$24,179,665	$3,689,922	$27,869,587
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):			
Current Year Decrease in Compensated Absences	$54,543		$54,543
Current Year Increase in Pension Payable	(157,766)		($157,766)
Nonmandatory Transfers	(208,736)		(208,736)
Debt Service	(111,639)		(111,639)
Liability for General Fund Reversion	(17,710)		(17,710)
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	($441,308)		($441,308)
NET INCREASE (DECREASE) IN FUND BALANCE	($506,945)	$2,660	($504,285)

The notes are an integral part of this statement.

MSU-BILLINGS

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	UNRESTRICTED	RESTRICTED	1993 TOTAL
REVENUES:			
Educational and General Funds:			
Tuition and Fees	$4,944,613		$4,944,613
Montana General Fund Transfers	10,059,623		10,059,623
Montana Millage Fund Transfers	1,814,409		1,814,409
Clean Coal Approp Transfer	255,000		255,000
Sales, Services and Miscellaneous	44,673		44,673
Federal Grants and Contracts		$3,821,322	3,821,322
State Grants and Contracts		301,474	301,474
Local Government Grants, Contracts, and Donations		46,389	46,389
Other Grants, Contracts, and Donations		220,582	220,582
Total Educational and General Funds	$17,118,318	$4,389,767	$21,508,085
Designated Funds:			
Tuition and Fees	$777,991		$777,991
Sales, Services and Miscellaneous	867,196		867,196
State Grant for College Workstudy Program	34,115		34,115
Indirect Cost Recoveries	93,979		93,979
Investment Income	7,337		7,337
Total Designated Funds	$1,780,618	$0	$1,780,618
Auxiliary Funds:			
Tuition and Fees	$1,169,331		$1,169,331
Land Grant Income	238,745		238,745
Investment Earnings	61,189		61,189
Sales, Services, and Miscellaneous	4,134,890		4,134,890
Total Auxiliary Funds	$5,604,155	$0	$5,604,155
TOTAL CURRENT REVENUES	$24,503,091	$4,389,767	$28,892,858

The notes are an integral part of this statement.

MSU-BILLINGS

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	UNRESTRICTED	RESTRICTED	1993 TOTAL
EXPENDITURES:			
Educational and General Funds:			
Instruction	$8,302,291	$421,103	$8,723,394
Research		111,270	111,270
Public Service	548,926	339,185	888,111
Academic Support	1,708,334	18,267	1,726,601
Student Services	1,544,364	586,384	2,130,748
Institutional Support	2,047,098		2,047,098
Operation and Maintenance of Plant	2,215,156		2,215,156
Scholarships and Fellowships	483,412	2,910,992	3,394,404
Total Educational and General Funds	$16,849,581	$4,387,201	$21,236,782
Designated Funds:			
Instruction	$255,581		$255,581
Public Service	549,419		549,419
Academic Support	6,286		6,286
Student Services	578,699		578,699
Institutional Support	(113,412)		(113,412)
Operation and Maintenance	29		29
Mandatory Transfers	8,288		8,288
Total Designated Funds	$1,284,890	$0	$1,284,890
Auxiliary Funds:			
Expenditures	$4,318,343		$4,318,343
Mandatory Transfers:			
Principal and Interest	944,617		944,617
Renewal and Replacements			0
Total Auxiliary Funds	$5,262,960	$0	$5,262,960
TOTAL CURRENT EXPENDITURES AND MANDATORY TRANSFERS	$23,397,431	$4,387,201	$27,784,632
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):			
Current Year Decrease in Compensated Absences	($14,465)		($14,465)
Nonmandatory Transfers	(126,189)		(126,189)
Debt Service	(117,193)		(117,193)
Liability for General Fund Reversion	(10,720)		(10,720)
TOTAL OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	($268,567)	$0	($268,567)
NET INCREASE (DECREASE) IN FUND BALANCE	$837,093	$2,566	$839,659

The notes are an integral part of this statement.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MSU-Billings (formerly Eastern Montana College):

In January of 1994, the Montana Board of Regents of Higher Education approved the restructuring of the Montana University System. As part of that restructuring, effective July 1, 1994, Montana State University-Bozeman was given administrative oversight of Eastern Montana College and the name of the institution was changed to Montana State University-Billings (MSU-Billings). In addition, the Billings Vocational Technical Center was merged as a college of MSU-Billings and was renamed the MSU-Billings College of Technology. The accompanying financial statements represent the activities of MSU-Billings only and exclude those of MSU-Bozeman and the College of Technology.

In accordance with GASB #15, the University has adopted the American Institute of Certified Public Accountants' (AICPA) "College Guide Model" for presentation of its financial statements.

The financial statements of Montana State University-Billings are included as a part of the higher education component unit of the State of Montana Comprehensive Annual Financial Report (CAFR).

Basis of Accounting:

The accompanying financial statements of MSU-Billings are prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities, except for allowance for uncollectible loans as explained in Note 3 to the financial statements.

The statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current operating funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period.

Fund Accounting:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified into funds that are in accordance with specified activities or objectives. Separate accounts are maintained for each fund, however, accounts with similar characteristics have been combined into fund groups and reflected as such in the accompanying financial statements.

Current funds include unrestricted funds allocated to specific purposes by action of the Board of Regents and funds restricted by outside sources. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds. Current unrestricted funds include general operating, designated and auxiliary services. Other funds used are the loan fund

for student loans, the plant fund for recording investments in University property, and the agency fund for recording assets held by the University as custodian or fiscal agent for others.

To the extent that current funds are used to finance plant assets, the amounts so provided are reported as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers in the case of required provisions for debt amortization, interest, equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

Gains and losses arising from the sale, collection or other disposition of investments and other non-cash assets are reported in the fund which owned such assets. Ordinary income derived from investments, receivables and the like, is reported in the fund owning such assets. Restricted revenue derived from gifts, grants, and appropriation and other restricted sources are reported in the appropriate funds.

Fixed Assets:

Fixed assets are valued at cost when purchased or constructed or, if acquired by gift, at the estimated fair market value at date of gift.

No provision has been made for depreciation of plant facilities in accordance with Governmental Accounting Standard No. 8, "Applicability of FASB Statement No. 93, Recognition of Depreciation by Not-for-Profit Organizations" which states that governmental colleges and universities should not change their accounting and reporting for depreciation of capital assets as a result of FASB Statement No. 93.

Inventories:

The University's policy is to record supplies inventories for certain educational and service departments in addition to inventories held for resale in auxiliary enterprises such as the bookstore and vending operations. All recorded inventories are stated at the lower of cost or market using the first-in, first-out method.

Other:

In accordance with generally accepted accounting principles, the University does not recognize liabilities for items ordered before June 30 but not yet received.

Summer session tuition and fee revenues and expenditures are deferred at June 30 and recorded as revenue and expenditures in the succeeding fiscal year.

Other significant accounting policies are set forth in the accompanying financial statements and notes thereto.

Note 2 - INVESTMENTS

All investments are recorded at cost. Investments consist primarily of amounts invested through the Montana State Board of Investments using its short-term investment pool and U.S. Treasury Bills, and by the trustees as required by the bond indenture. All the securities are risk category 1, which means the securities are insured or registered. The cost and market value of the investments at June 30, 1994 were approximately equal. Investment income is generally recorded when received.

Investments at June 30, 1994 consisted of the following:

Montana Short-term Investment Pool	$3,218,300
Investments held by Bond Trustee	2,479,665
Total	$5,697,965

Investments owned by the various funds at June 30, 1994, are as follows:

Current Unrestricted Funds:	
Designated-Student Government	$ 155,000
Auxiliary Enterprises	1,911,300
Loan Funds:	60,000
Plant Funds:	
Unexpended	1,491,100
Renewals and Replacements	1,881,940
Retirement of Indebtedness	188,625
Agency Funds:	10,000
Total	$5,697,965

Note 3 - ALLOWANCE FOR DOUBTFUL ACCOUNTS - LOAN FUNDS

No provision for uncollectible Perkins, formerly National Direct Student Loans, has been provided for in the accompanying financial statements. The following statistics will be reflected in the annual report of the financial aid programs to the Department of Education:

Perkins cumulative loan amounts advanced - all borrowers	$7,712,405
Total value of Perkins loan advances not in repayment status (grace period, armed forces, Peace Corps, Vista, student status, hardship)	$1,227,763
Number of Perkins borrowers who entered repayment in the 1992-93 award year	178
Number of above borrowers with loans in default on June 30, 1994	21
Cohort default rate	11.79%

The University follows accounting practices for the Perkins Loan Fund that are in accordance with government regulations. Those regulations do not provide for recognition of interest receivable or future loan cancellations by the government. To that extent the portion of the financial statements relating to loan funds are at variance with generally accepted accounting principles. However, 90% of any interest receivable or uncollectible loans and 100% of government cancellations would add to or reduce the U.S. Government's portion of the fund balance and, therefore, would not have significant effect on the overall financial position of the University.

Note 4 - BONDS PAYABLE

On June 16, 1994, Montana State University (consisting of MSU-Bozeman, MSU-Billings and MSU-Northern) issued Series C 1994 Revenue bonds. MSU-Billings issued its $9,360,000 share of the bonds, with interest rates ranging from 3.30% to 5.75%, to advance refund $8,770,000 of outstanding 1985/1988 Series A and B Revenue bonds with interest rates ranging from 6.4% to 8.375%. The net proceeds of $9,168,849 (after payment of $191,151 in underwriting, discount and insurance fees), plus an additional $165,637 of other funds and monies of the University, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payment on the 1985/1988 Series A and B bonds. As a result, the 1985/1988 Series A and B bonds are considered to be legally defeased and the liability for those bonds has been removed from the University's financial records.

Although the advance refunding resulted in the recognition of an accounting loss of $564,486 for the year ended June 30, 1994, the institution stabilized its debt service payments and obtained an economic gain (difference between the present values of old and new debt service payments) of $182,399. The economic gain was calculated using an effective interest rate of 5.35%.

The refunding freed up prior debt service reserves by replacing them with a surety bond. The balance of debt service reserves along with other University funds was transferred to Construction to fund the acquisition, construction, repair, replacement, renovation and improvement of certain facilities and properties at the University.

The annual debt service requirements for the next five years, including interest, as of June 30, 1994 are as follows:

Year Ending June 30,	Payment
1995	$ 1,017,464
1996	1,016,745
1997	1,017,563
1998	1,014,875
1999	1,014,669
2000-2008 (Cumulative)	7,543,774
Total	$12,625,090

In prior years, the University defeased certain bond issues by placing proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. At June 30, 1994, $11,481,540 of bonds outstanding are considered defeased.

Note 5 - RETIREMENT PROGRAMS

Full-time employees of MSU-Billings are all members of the Public Employees' Retirement System (PERS), the Montana Teachers Retirement System (TRS) or the Optional Retirement Program (ORP). Only faculty and administrators with contracts under the authority of the Board of Regents are members of TRS or ORP.

Effective July 1, 1993 the ORP became the mandatory retirement plan for new faculty and administrative staff.

Other required pension information is not available on an agency basis, but is available on a statewide basis from the Montana Retirement Systems for PERS or TRS or from TIAA-CREF for ORP.

Defined Benefit Plans

TRS - This system was established in 1937 and governed by Title 19, chapter 20, MCA. TRS participants are eligible to retire with a minimum 25 years of membership service or five years of creditable service at age 60. A retirement benefit is 1/60 times the years of service times average final compensation. An employee is vested in TRS following completion of five years of creditable service. Vested employees may retire at or after age 50 and receive a reduced retirement benefit. Effective July 1, 1993, new faculty and administrative staff are no longer eligible for TRS, unless they already have an existing TRS plan.

PERS - Established in 1945 and governed by Title 19, chapter 3, MCA, PERS participants are eligible to retire at age 60 with at least five years of service, at age 65 regardless of length of service or at 30 years of service regardless of age. A reduced retirement benefit may be taken with 25 years of service or at age 50 with a minimum of five years of service. Effective January 1, 1989, monthly retirement benefits are calculated by taking 1/56 times the years of service times the final average salary. Vesting occurs once membership service totals 5 years.

Defined Contribution Plan

ORP - Established under the authority of Title 19, chapter 21, MCA, ORP provides benefits at retirement which are dependent upon the amount of contributions, investment gains and losses, employee's life expectancy, and the selected contract option. Individuals are immediately vested with contribution. This fund is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF).

Retirement Plan Information for the year ended June 30, 1994

	PERS	TRS	ORP (TIAA-CREF)
Covered Payroll	$ 4,795,086	$ 5,460,102	$ 2,965,487
Total Payroll	$13,500,957	$13,500,957	$13,500,957
Employer Contributions	$ 321,271	$ 407,269	$ 146,970
Percent of Covered Payroll	6.700	7.47*	4.956
Employee Contributions	$ 321,271	$ 384,610	$ 208,889
Percent of Covered Payroll	6.700	7.044	7.044

Retirement Plan Information for the year ended June 30, 1993

	PERS	TRS	ORP (TIAA-CREF)
Covered Payroll	$ 4,642,048	$ 4,929,306	$ 2,812,846
Total Payroll	13,197,375	13,197,375	13,197,375
Employer Contributions	$ 304,054	$ 367,677	$ 83,148
Percent of Covered Payroll	6.550	7.459	2.956
Employee Contributions	$ 304,054	$ 347,220	$ 198,137
Percent of Covered Payroll	6.550	7.044	7.044

For ORP participants, a total of $74,226 or 2.503% in 1994 and $126,662 or 4.503% in 1993 of covered payroll was contributed to TRS from employer contributions to amortize past service unfunded liability in accordance with Title 19, chapter 21, MCA.

*TRS employer contribution rate increased from 7.459% to 7.47% effective January 1, 1994.

Note 6 - COMMITMENTS AND CONTINGENT LIABILITIES

Capital Projects

Project administration for major construction projects of the University is performed by the Architecture and Engineering Division of the Montana Dept. of Administration. At June 30, 1994 capital projects include:

Project	Authorized Spending Authority	Remaining Spending Amount
Rimrock Hall Window Replacement	$ 150,000	$ 15,559
PE Building Lighting	58,000	58,000
Computer Annex	200,000	200,000
Apsaruke Hall	1,400,000	1,400,000

Capital Leases

During the year ended June 30, 1992, MSU-Billings entered into one lease agreement with J&H Office Equipment for 2 Savin Copiers; and another lease agreement with Monroe Systems for Business for 2 Monroe Copiers and a Change Machine. The lease term for J& H Office Equipment is from March 1992 to February 1995; and for Monroe Systems for Business from February 1992 to January 1995.

Capital lease agreements for the above purposes total $9,908 at June 30, 1994. The annual payments are:

Fiscal Year	Principal	Interest	Total
1995	$7,789	$2,119	$9,908

Notes Payable

In July of 1992, the University received a loan in the amount of $285,000 from Norwest Investment Services to repair the Physical Education Building roof. The loan is being repaid through collection of fees from students. Annual principal and interest payments are $57,395.05. The principal balance outstanding at June 30, 1994 is $200,300.

Compensated Absences

In accordance with FASB Statement No. 43 "Accounting for Compensated Absences", the liability and charge for compensated absences related to current and previous years are recorded in the unrestricted current funds.

The value of unused vacation and sick leave of $1,485,807 accumulated by employees is recorded as a liability. At June 30, 1994 permanent staff, other than contract faculty, may accumulate and carry to the following calendar year, two times the maximum number of vacation days earned annually. Unused vacation leave is purchased at full value from employees upon termination. Unused sick leave earned since July 1, 1971 is purchased from all employees at twenty-five percent of its value upon termination.

In accordance with GASB #16, estimated employer payments related incrementally to the payroll are included in the calculation of compensated absences. The effect of the calculation for fiscal year 1993 was $223,812 and is reflected as a prior-period adjustment and restated on the Statement of Changes in Fund Balance.

Early Retirement Incentive Program

Chapter 567, Laws of 1993 established a voluntary termination program for eligible employees. In accordance with Montana Board of Regent Policy Section 712.2, the University elected to defer certain eligible employee terminations due to academic and financial hardships created by the retirement incentive. The amount of employer incentive payment and related benefits deferred through fiscal year 1997 is $157,766 and is recorded as Pension Payable in Current Funds.

Federal Income Tax

Although the University is exempt from federal income tax as an instrumentality of the State of Montana, certain income generated may be considered unrelated business income by the Internal Revenue Service. The Montana University System files appropriate tax returns with the IRS to report such income.

Note 7 - SUBSEQUENT EVENT

As referred to in Note 1, the name of the institution was changed from Eastern Montana College to Montana State University-Billings and the institution came under the administrative oversight of Montana State University-Bozeman. These changes took place July 1, 1994 as part of the restructuring of the Montana University System approved by the Montana Board of Regents of Higher Education.

Note 8 - AFFILIATED ORGANIZATIONS

Montana State University-Billings is a component unit of the State of Montana. These financial statements include only the activities, funds, and accounts of the University.

Private nonprofit organizations affiliated with the University include the Friends of KEMC and the MSU-Billings Foundation (including the Sting Athletic Association and the Alumni Association). The affiliated organizations operate exclusively for the purposes of encouraging, promoting, and supporting educational programs, research, scholarly pursuits and athletics at or in connection with the University.

The Foundation transferred $281,005 in fiscal year 1994 and $267,296 in fiscal year 1993 to the University in support of academic, athletic and support programs. The University transferred $153,477 in fiscal year 1994 and $231,458 in fiscal year 1993 to the Foundation for contract and miscellaneous payments. The above amounts are included in the accompanying financial statements.

In addition, MSU-Billings provides the Foundation with office space and related expenses, valued at $30,300 as in-kind contributions for fiscal years 1994 and 1993.

MONTANA STATE UNIVERSITY - BILLINGS
Schedule of Enrollment Statistics on a Semester Basis
for the Year Ending June 30, 1994

	Summer Semester 1993	Fall Semester 1993	Spring Semester 1994
Enrollments Majoring in:			
School of Business & Economics	323	842	831
School of Education	438	953	921
Graduate Program--Nondegree	294	271	250
School of Arts & Sciences	236	798	817
General Studies	189	680	608
Human Services	64	188	184
Total Enrollment--Head Count	1,544	3,732	3,611
Student Credit Hours Provided By:			
School of Business & Economics	1,750	6,473.0	6,306
School of Education & Human Services	3,748	10,089.0	10,105
School of Arts & Sciences	4,583	27,748.5	26,143
Total Student Credit Hours	10,081	44,310.5	42,554
Student FTE--All Funding Sources	698.9	2,975.1	2,860.2
Student FTE--Current Unrestricted Funding	689.9	2,975.1	2,852

Note: This schedule does not include statistics of the Continuing Education and Extended Studies Programs.

MONTANA STATE UNIVERSITY - BILLINGS
Schedule of Enrollment Statistics on a Semester Basis
for the Year Ending June 30, 1993

	Summer Semester 1992	Fall Semester 1992	Spring Semester 1993
Enrollments Majoring in:			
School of Business & Economics	319	878	818
School of Education	432	941	925
Graduate Program--Nondegree	291	259	283
School of Arts & Sciences	289	810	839
General Studies	179	702	583
Human Services	73	171	178
Total Enrollment--Head Count	1,583	3,761	3,626
Student Credit Hours Provided By:			
School of Business & Economics	1,842	7,147	6,850
School of Education & Human Services	4,199	9,358	9,344
School of Arts & Sciences	4,571	27,263	25,580
Total Student Credit Hours	10,612	43,768	41,774
Student FTE--All Funding Sources	737.8	2,937.65	2,804.4
Student FTE--Current Unrestricted Funding	717.24	2,920.08	2,798

Note: This schedule does not include statistics of the Continuing Education and Extended Studies Programs.

University Response

MONTANA STATE UNIVERSITY BILLINGS

Office of the Chancellor
1500 North 30th Street
Billings, Montana 59101-0298
Office: (406) 657-2300
Fax: (406) 657-2299

Excellence ACCESS TO

March 2, 1995

Mr. Scott A. Seacat
Legislative Auditor
State Capitol
Helena MT 59620

Dear Mr. Seacat:

Attached is Montana State University-Billings' written response to the financial-compliance audit conducted by your staff for the two fiscal years ended June 30, 1994.

On behalf of the university staff, I wish to thank you and your audit staff for a professional audit.

Sincerely,

Ronald P. Sexton
Acting Chancellor

Attachment

cc: Jeff Baker, Commissioner of Higher Education
Terrie Iverson, Administrative Vice Chancellor
LeAnn Anderson, Director of Financial Services

MSU-Billings
Response to Legislative Audit Recommendations
Fiscal Years 1993 and 1994

RECOMMENDATION #1

WE RECOMMEND THE UNIVERSITY COMPLY WITH STATE PURCHASING LAWS OR SEEK LEGISLATION TO ALLOW AN EXCEPTION FOR THE FOOD SERVICES CONTRACT.

RESPONSE:

Concur. The university will comply with state purchasing laws by putting the food service contract out to bid. Bids may be sought during the Fall of 1995 in order to implement a new contract effective Fall of 1996. The university may also seek out other options such as a leasing agreement or legislation to allow an exemption for the food services contract.

RECOMMENDATION #2

WE RECOMMEND THE UNIVERSITY RECORD FINANCIAL ACTIVITY RELATED TO SCHOLARSHIPS AND WORK STUDY ON ITS ACCOUNTING RECORDS IN ACCORDANCE WITH STATE LAW.

RESPONSE:

Unrecorded financial activity:

Concur. Scholarship funds from the foundation were recorded in the Agency Fund and then applied to the recipient's student account. Beginning in fiscal year 1995, the university will record scholarship recipient funds that are not donor selected as revenues and expenditures in the Current Restricted Fund on its accounting records. Donor selected recipient funds will continue to be recorded in the agency fund.

Double-recorded financial activity:

Concur. As mentioned in the audit report, the MSU-Billings payroll system is programmed to record 100% of work study payroll expenditures in the federal and state work study accounts. The institutional matching share is then recharged to department accounts and a corresponding recharge revenue income is recorded in the work study accounts. A financial statement adjustment is done to eliminate the recharge revenue and abate the corresponding payroll expenditure in the work study accounts to properly reflect work study activity. Beginning in fiscal year 1995, the university will also record the adjusting entry on its accounting records at fiscal year-end.